

MINUTES OF THE  
JOINT HEALTH AND HUMAN SERVICES APPROPRIATIONS SUBCOMMITTEE  
THURSDAY, JANUARY 28, 2010, 2:00 P.M.  
Room 30, House Building, State Capitol Complex

Members Present:            Sen. Allen M. Christensen, Co Chair  
                                 Rep. John Dougall, Co Chair  
                                 Sen. Patricia W. Jones  
                                 Sen. Daniel R. Liljenquist  
                                 Rep. Kraig Powell  
                                 Rep. Rebecca Chavez-Houck  
                                 Rep. Ben C. Ferry  
                                 Rep. Paul Ray  
                                 Rep. David Litvack  
                                 Rep. Ronda Rudd Menlove

Members Excused:        Sen. Margaret Dayton  
                                 Rep. Keith Grover

Staff Present:             Russell Frandsen, Fiscal Analyst  
                                 Stephen Jardine, Fiscal Analyst  
                                 Ernest Hayes, Secretary

Public Speakers Present:   David N. Sundwall, Executive Director, Utah Department of Health  
                                 Michael Hales, Director - Utah Medicaid, Utah Department of Health  
                                 David Patton, COO, Utah Department of Health

A list of visitors and a copy of handouts are filed with the committee minutes.

**1. Call to Order**

The meeting was called to order by Co-Chair Rep. Dougall at 2:20 p.m.

**2. Medicaid Reports Required from Intent Language Approved Last Year**

Dr. Sundwall introduced the presentation and distributed several handouts. He noted that a think tank in Washington D.C. believes that you can't fix health care unless you fix Medicaid first.

Mr. Hales gave a presentation on Medicaid Reports Required from intent language passed last year.

In response to Rep. Dougall's question about fee-for-service, Mr. Hales went into further detail on revenue

codes and billing. Mr. Hales commented on bundled services and payments with respect to delivery costs. Rep. Dougall asked if there was any analysis available showing how Utah's outpatient rates compare to other states. Mr. Hales responded that there wasn't, but that the department has information on how they compare to Medicare.

Mr. Hales provided the committee with a handout on the consumer-driven model. Mr. Hales explained health opportunity accounts in the Medicaid program. There are only a few select groups that are eligible for the health opportunity accounts. There are other requirements necessary for eligibility into this program, like self selection. He spoke about similar models in other states like Indiana and South Carolina. He noted that not many people in South Carolina's capital county signed up for the program. Indiana's experience indicated that they preferred not to use health opportunity accounts as a substitution for existing coverage. Indiana used it in an expansion effort. Mr. Hales further explained other aspects of consumer driven healthcare and stated that the department recommends that the expansion model would significantly expand consumer driven healthcare.

Rep. Litvack asked about the South Carolina experience and the percentage of those eligible for those types of plans. Mr. Hales clarified that the incentive of the health opportunity account is to make consumers more informed with the cost of care so as to use their account more wisely.

Rep. Menlove asked about any incentives that would work. Mr. Hales responded that the only incentive that can be put in to make a cost deterrent is the 10%. He clarified that the policy objective is to educate the consumer as to medical expenses and options. He explained some of the protections in place for federal Medicaid. Rep. Menlove commented on what shapes a consumers decision to go and see a doctor. He talked about the all payer data base and how it could be used to compare price and quality data. This would allow consumers to become more educated in the healthcare field. Rep. Menlove stated that this was an exciting thing.

Rep. Dougall asked about what would be necessary to continue along this path. Mr. Hales stated that if Utah wanted to implement this plan it would have to simply submit a state plan amendment. It could be looked at as a small scale pilot project with very minimal overhead. Mr. Hales stated that the department would require some policy direction on how to use the unspent balances. Rep. Dougall requested that Mr. Hales get together with Rep. Menlove to talk about details.

Rep. Litvack noted that one of the criticisms of HOA's is that people can become too cautious to use their HOA dollars.

Dr. Sundwall requested that the other option, the 1115 waiver, also be looked at during discussion.

Mr. Hales gave a brief overview of Medicaid client education. He explained that there is an effort to get Medicaid recipients educated and enrolled with a primary care physician and avoid having to go to the emergency room.

Rep. Dougall asked if there was a way to monitor the education effort. Mr. Hales stated that this type of education is broad based. He explained that once a problem has been identified with emergency room usage, the issue is tracked to correct the problem with targeted intervention.

### **3. Medicaid Review**

Russell Frandsen gave a presentation on the Medicaid review report. He noted that this report is the beginning of a long term process. He talked about some pass through expenditures which go to other state agencies. Highlighting the top 66% of expenditures in the Medicaid general fund he stated that they represent the top ten service categories in Medicaid and that they represent over \$1 billion. 60% of Medicaid services goes to medical providers. He reviewed seeded money figures for mental health, substance abuse, school districts, local health departments and the University of Utah. Mr. Frandsen stated that there was more money given by the locals than what was provided to them by the state plus their match, which means that some of the locals are spending a little more than what they are given for mental health services. He spoke about the double counting of certain expenditures in different agency budgets. He talked about the state recoveries and the Office of Recovery Services and how it has been able to recuperate an average of \$3 million for the past five years.

Mr. Frandsen explained direct contracting for medical services and that for one company this has meant a 15% increase in the outpatient visit rate and a 9% reduction in inpatient visit rates. He also stated that the per employee cost is about 25% lower as compared to other employers in the region.

Mr. Frandsen went on to explain waiver programs. He went over recommendations to save money.

Sen. Jones asked for an estimate of the potential savings if these measures were implemented. Mr. Frandsen stated that the savings were around \$7-\$10 million in the General Fund. In response to a question by Sen. Jones on fraud, convictions and lawsuits, Mr. Frandsen noted that the majority of money is coming from civil fraud cases and not convictions.

Rep. Litvack asked about cost of delivery amounts and whether pre-natal care is covered. Mr. Hales reiterated that fees for those types of services are global.

### **4. Ideas to Reduce Costs in Medicaid**

Mr. Hales began a detailed explanation on cost saving measures. Sen. Christiansen noted that some of these cost saving measures have been proposed in the past and explored in detail, and have failed.

### **5. Reorganization of the Health Department**

David Patton, Chief Operating Officer with the Utah Department of Health began a presentation on the recent reorganization plan for the department. He noted efficiency and effectiveness as the department's

primary goals and stated that the purpose of the Department of Health has had to be clarified and restated. Mr. Patton then explained the various organizational changes that have taken place to streamline the department. The departments divisions were reduced from four divisions down to three. The changes will require legislative approval.

Mr. Hales responded to Rep. Dougall's question regarding case management by stating that Healthy U and Molina offer these services.

#### **6. Required Annual Reports**

Mr. Frandsen gave a brief overview of the required annual reports.

**MOTION:** Rep. Dougall moved to adjourn.

The motion passed unanimously with Sen. Dayton, Sen. Liljenquist, Rep. Chavez-Houck, Rep. Ferry, Rep. Grover, Rep. Powell, and Rep. Menlove absent for the vote.

Co-Chair Christensen adjourned the meeting at 5:00 p.m.

Minutes recorded by Ernest Hayes, Secretary

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Sen. Allen Christensen, Committee Co-Chair

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Rep. John Dougall, Committee Co-Chair